



Tax Incentives for Home Owners -- Purchase of Energy-Saving Products for Your Home

Home owners can receive federal income tax credits up to \$500 on the amount they spend in 2006 and 2007 to purchase certain products to improve the energy efficiency of their home, including manufactured homes. These tax credits are provided by Section 1333 of the Energy Policy Act of 2005.

What is covered?

- Energy-efficient products in the categories shown in the table on page 2 may qualify for tax credits. Not all products automatically qualify for the tax credit. They must meet standards that are now being prepared by the federal government.
- There are other federal and state tax credits for the purchase and installation of solar equipment, fuel cells, and photovoltaic property. (Please see separate Fact Sheets) These are not subject to the \$500 total credit for the items listed above.

Maximum credit allowed

- The maximum total allowed for all credits under this section of the law is \$500 over the two-year period. In addition, there is an individual maximum credit amount for some of the eligible products, as shown in the table on the next page.

How Now?

- You must use IRS Form 1040 to claim the credit. Enter your energy savings tax credit on Line 52. To calculate the correct amount, use **IRS Form 5695**. This form provides instructions on how to calculate the correct amount for credits discussed in this Fact Sheet. It also provides instructions for credits for certain residential solar equipment.
- Upon buying eligible products, the retailer or installer will provide the homeowner with a Certificate that the product meets the standards for a tax credit. The IRS explains that the Certificate does not need to be attached to the taxpayer's tax returns, but that the taxpayer should keep the certification on file in his or her records.
- Retailers of these products are expected to help consumers identify qualified products by labeling and promoting them in their stores, catalogs and web sites.

Disclaimer: This information is not intended to provide advice on legal interpretations of the law. This information should not be relied upon in taking or refraining from taking any action related to the topics covered. The best source of information is guidance provided by the Internal Revenue Service.

Take Note!

- To qualify for a tax credit the energy saving product must be installed in the taxpayer's *primary residence*. This means that a taxpayer cannot take a tax credit for products installed in a rental home, for example.
- The technical standards shown in the table will be used by federal agencies in preparing the guidelines on which products are qualified for a tax credit. In most cases, however, the manufacturer and retailers will conduct this analysis and use eligibility for the tax credit to promote the products.
- Be sure to save those receipts that show where and when the product was purchased and how much was paid, and especially the manufacturer's Certification.
- Manufacturers (not the purchasers) will receive business tax credits ranging from \$75 to \$175 for highly-efficient refrigerators, dishwashers and clothes washers. These credits may be passed along to consumers in lower prices.

Product	Tax Credit	...up to maximum of	Standard required
Insulation material and systems	10% of purchase price	No maximum	2000 International Energy Conservation Code
Windows	10% of purchase price	\$200	2000 International Energy Conservation Code
Exterior doors	10% of purchase price	No maximum	2000 International Energy Conservation Code
Central air conditioners	Actual purchase price	\$300	Highest efficiency tier of Consortium for Energy Efficiency as of 1/1/06. Based on certified data of Air Conditioning and Refrigeration Institute data; tested at 95 degrees F
Electric heat pumps	Actual purchase price	\$300	HSPF of at least 9; SEER of at least 15; EER of at least 13. Based on certified data of Air Conditioning and Refrigeration Institute data; tested at 95 degrees F.
Electric heat pump water heaters	Actual purchase price	\$300	Energy factor of at least 2.0 under DOE test procedure
Geothermal heat pumps	Actual purchase price	\$300	Closed loop: EER of at least 14.1 and COP of at least 3.3; Loop product: EER of at least 16.2 and COP of at least 3.6; Direct expansion: EER of at least 15, COP of at least 3.5. Based on ARI/ISO Standard 13256-1 (water source), or ARI 870 (direct expansion geexchange); desuperheater or integrated system connected to the storage water heater tank.
Natural gas, propane or oil - furnace or hot water boiler	Actual purchase price	\$150	Energy factor of at least 0.80. Annual fuel utilization efficiency rate of not less than 95.
Qualified metal roofs	10% of purchase price	No maximum	Energy Star program standards
Advanced main air circulating fans	Actual purchase price	\$50	Annual electricity use of no more than 2 percent of total energy use of the furnace. DOE test procedures.
MAXIMUM CREDIT FOR ALL SYSTEMS		\$500	Retailers of these products are expected to help consumers identify qualified products by labeling and promoting them in their stores, catalogs and web sites.